

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 NEA-10 RSC-01 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03

INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 IO-15 OPIC-12 OIC-04 SIL-01 XMB-07

DRC-01 /259 W

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P R 281709Z SEP 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 729

AMEMBASSY ANKARA

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E.O. 11652 N/A  
TAGS: ETRD, OECD  
SUBJECT: OECD TRADE COMMITTEE WORKING PARTY (TCWP) CONSULTATIONS  
ON US EXPORT CONTROLS, SEPT. 25-26.

REF: (A) STATE 190304  
(B) STATE 190305  
(C) USOECD 25466

1. SUMMARY. TCWP CONSULATION ON US EXPORT CONTROLS WAS GENERALLY LOW KEY, CONSTRUCTIVE AND FRIENDLY IN TONE. FORTHCOMING, WELL REASONED STATEMENT (REF A) BY US DEL (OMAHONY) COUPLED WITH SECRETARY DENT'S ANNOUNCEMENT A FEW DAYS EARLIER OF REMOVAL OF US RESTRICTIONS ON ALL AGRICULTURAL PRODUCTS CREATED EQUABLE ATMOSPHERE FOR USEFUL EXCHANGE OF VIEWS ON CAUSES, MODALITIES, RESULTS AND IMPLICATIONS OF US PROGRAM INCLUDING LESSONS THAT MIGHT BE DRAWN FROM IT. AFTER CONCLUSION OF OPENING STATEMENTS, AND QUESTIONS PERIOD, DELS FOCUSED ON GENERAL QUESTION ON EXPORT CONTROLS, THEREBY REMOVING US FROM SPOTLIGHT. SUGGESTIONS FOR FUTURE WORK RANGED FROM CAUTIOUS APPROACH BY FRENCH DEL, WHO THOUGHT TC MIGHT SIMPLY BE ASKED TO REFLECT ON RECENT EXPERIENCE AND PROSPECTS WITH VIEW TO DECIDING WHAT, IF ANY, FUTURE WORK MIGHT BE DONE ON QUESTION OF EXPORT CONTROLS, TO JAPANESE SUGGESTION THAT TC CONSIDER FOUR SPECIFIC FORMS OF NEW COOPERATION (SEE PARA 6B). WHILE ACKNOWLEDGING THAT NO PHYSICAL DAMAGE HAD BEEN INCURRED AS RESULT OF US PROGRAM, ALL DELS WHO SPOKE EMPHASIZED PSYCHOLOGICAL SHOCK THAT CONTROLS PRODUCED IN THEIR COUNTRIES IN FORM OF REALIZATION THAT IN EMERGENCIES THEY MIGHT NOT BE ABLE TO COUNT ON US AS RELIABLE SUPPLIER. THEY ALSO STRESSED DAMAGING IMPACT CONTROLS HAD ON ATTEMPTS TO REFRAIN RISING PRICES. CONTROLS ON FERROUS SCRAP WERE ONLY MENTIONED IN PASSING AND WERE QUICKLY LOST SIGHT

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OF AS DISCUSSION PROGRESSED. END SUMMARY.

2. US DEL OPENED DISCUSSION WITH STATEMENT CONTAINED REF.  
A. IN CONCLUDING REMARKS HE EMPHASIZED THAT US HAD ACTED RESPONSIBLY, WAS A DEPENDABLE SUPPLIER, HAD RELAXED CONTROLS AS SUPPLY CONDITIONS PERMITTED AND HAD CONSULTED ACTIVELY WITH ITS TRADING PARTNERS. HE URGED TCWP TO AVOID DETAILED REHASHING OF PAST EVENTS AND TO TRY TO FOCUS ATTENTION

ON IMPROVING INTERNATIONAL TRADE ENVIRONMENT TO HELP  
AVOID NEED FOR FUTURE EXPORT RESTRICTIONS.

3. IMPACT OF CONTROLS

A. JAPANESE DEL FOLLOWED BY STRESSING NEED TO AVOID RECRIMINATIONS AND MADE FAVORABLE REFERENCE TO BILATERAL CONSULTATIONS IN WASHINGTON AND TOKYO. HE THOUGHT REMOVAL OF RESTRICTIONS HAD IMPROVED ATMOSPHERE FOR FINDING POSITIVE LESSONS TO BE DRAWN FROM RECENT EXPERIENCE. HE EMPHASIZED, HOWEVER, THAT PSYCHOLOGICAL SHOCK OF CONTROLS AND POTENTIAL PHYSICAL DAMAGE THAT MIGHT HAVE BEEN INCURRED WOULD NOT SOON BE FORGOTTEN BY GOJ AND JAPANESE PEOPLE. NOTING THAT JAPAN DEPENDS UPON US FOR 92PERCENT OF ITS CONSUMPTION OF SOYBEANS AND PRODUCTS, INCLUDING LARGE PERCENTAGE FOR HUMAN CONSUMPTION IN FORM OF OIL, SAUCES AND CURD, JAPANESE DEL REMAINED TCWP THAT USG WAS DRIVING FORCE IN PERSUADING JAPAN TO LIBERALIZE SOYA AND PRODUCTS IN 1960S AND TO ELIMINATE TARIFFS IN 1971 THEREBY CAUSING ALMOST COMPLETE CESATION OF DOMESTIC PRODUCTION. HAVING BECOME ALMOST TOTALLY DEPENDENT UPON US FOR SUCH VITAL PRODUCTS FOR HUMAN AND LIVESTOCK CONSUMPTION, JAPANESE PEOPLE FELT US IMPOSITION OF RESTRICTIONS WAS FORM OF DISCRIMINATION AS BETWEEN JAPANESE AND AMERICAN CONSUMERS, WITH ATTENDANT FEAR THAT US MEASURES WOULD START A CHAIN REACTION ON OTHER PRODUCTS VITAL TO THE JAPANESE ECONOMY. UNFORTUNATELY IMPOSITION OF US MEASURES CAME ONLY A FEW DAYS AFTER ALARMING REVELATIONS OF MERCURY POLLUTION OF FISH OFF JAPANESE COAST THEREBY PROVOKING WIDESPREAD FEAR OF PROLONGED SHORT FALL IN PROTEIN NEEDS.

B. EC DEL SAID MAJOR DAMAGE CAUSED BY CONTROLS IN COMMUNITY WAS PSYCHOLOGICAL. THEY DRAMATICALLY DEMONSTRATED FULL EXTENT OF EUROPEAN DEPENDENCE ON US  
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FOR PROTEINS AND FACT THAT THERE WAS NO LONGER GUARANTEE US COULD FULLY MEET EUROPEAN NEEDS IN FUTURE. A SECOND, BUT IMPORT, IMPACT WAS ROLE OF CONTROLS IN ACCELLERATING PRICE INFLATION.

C. SWEDISH DEL SAID IMPACT OF CONTROLS WAS THREE-FOLD. I) THEY LEARNED THAT PROTEIN CONTENT OF THEIR FEED RATIONS WAS TOO HIGH AND COULD BE REDUCED WITHOUT ILL-EFFECT ON LIVESTOCK; II) AS PRECAUTIONARY MEASURE, SWEDEN IMPORTED ADDITIONAL PROTEINS FROM NON-US SOURCES; III) THREE NEW FACTORIES WERE BEING BUILT IN SOUTHERN SWEDEN TO PRODUCE PROTEIN FEED FROM BARLEY AND UREA, UTILIZING A PROCESS UNDER LICENCE FROM AN AMERICAN MANUFACTURER.

D. UK DEL STRESSED DAMAGE DONE TO PRINCIPLE OF SANCTITY OF CONTRACTS AND ONEROUS REQUIREMENT THAT IMPORTERS PRODUCE AFFIDAVIT FOR DELIVERY OF CONTRACTED SOYA.

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4. QUESTIONS DIRECTED TO US DEL.

MAIN QUESTIONS DIRECTED TO US DEL WERE ALONG FOLLOWING LINES: WAS PROBLEM SO SERIOUS THAT DAMAGE INCURRED BY CONTROLS COULD BE JUSTIFIED? COULD PROBLEM HAVE BEEN FORESEEN EARLIER? WAS THERE NO ALTERNATIVE TO TRADE MEASURES? WAS THERE A REAL SUPPLY/DEMAND GAP OR WAS IT ONLY APPARENT OWING TO SPECULATIVE BUYING? WOULD NOT A COUNTRY QUOTA SYSTEM OF ALLOCATION HAVE BEEN MORE EQUITABLE THAN SYSTEM BASED ON DATES ORDERS RECEIVED? WAS MARKET SUFFICIENTLY TRANSPARENT? WOULD BETTER EXCHANGE OF INFORMATION ASSIST IN COPING WITH SPECULATION?

5. U.S. RESPONSES. US DEL, DRAWING FROM REF B AND STANDING GUIDANCE, RESPONDED ALONG FOLLOWING LINES. US DID BELIEVE THERE WAS A SERIOUS PHYSICAL SUPPLY-GAP ON BASIS FIRM ORDERS RECEIVED. IN MONTHS PRECEDING PERIOD OF CONTROLS, US HAD SOUGHT BEST ESTIMATES OF THIRD-COUNTRY NEEDS. THESE ESTIMATES WERE ALWAYS FAR EXCEEDED BY ORDERS PLACED. IT WAS NOT YET CLEAR EXTENT TO WHICH ORDERS CORRESPONDED TO GENUINE NEEDS AS DISTINCT FROM SPECULATIVE PURCHASING BEYOND NORMAL HEDGING OPERATIONS. IN CIRCUMSTANCES AND ON BASIS OF DATA AVAILABLE, US FELT IT HAD PUT INTO PLACE MOST EFFICIENT, PRACTICABLE AND EQUITABLE SYSTEM POSSIBLE. US RECOGNIZED THERE WOULD BE HARSHIPS AND MADE PROVISION FOR EXCEPTIONS, AS IN CASE OF SOYA FOR HUMAN CONSUMPTION AND LACK OF CONTROLS ON SOYA FLOUR. ALLOCATION SYSTEM ADOPTED BY US SEEMED BEST ONE SUITED TO SHORT-TERM PROBLEM. ORDERS PLACED WERE AT LEAST ROUGH REFLECTION OF COUNTRY NEEDS. NO GOOD COUNTRY DATA WERE AVAILABLE, NOR DID US KNOW HOW MUCH SOYA HAD ALREADY BEEN IMPORTED BY INDIVIDUAL COUNTRIES. HAD SHORTSUPPLY SITUATION BEEN OF LONGER DURATION, US WOULD HAVE CONSIDERED COUNTRY ALLOCATION SYSTEM. US FULLY SHARES

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VIEW THAT RESPECT FOR CONTRACTS IS BASIC PILLAR OF WESTERN LEGAL AND COMMERCIAL SYSTEM. ALTERNATIVE TO IMPOSITION OF

EXPORT CONTROLS WOULD, HOWEVER, HAVE BEEN TO DO NOTHING AT ALL. US WAS AND IS CONVINCED THAT THAT COURSE WOULD HAVE BEEN MUCH MORE DAMAGING AND DISRUPTIVE THAN THE CONTROL PROGRAM WHICH WAS INSTITUTED WITH GREATEST RELUCTANCE AS BEST AMONG UNDESIRABLE ALTERNATIVES. IMPORT AFFIDAVITS WERE NECESSARY FOR PROTECTION AGAINST SITUATION WHERE IMPORTER, STANDING ON CONTRACUAL RIGHTS, MIGHT REFUSE PARTIAL DELIVERY (50 PERCENT), THEREBY ALLOWING EXPORTER TO USE 50 PER CENT ALLOCATION UNDER IN HIS CONTROL FOR SPECULATIVE PURPOSES.

6. LESSONS TO BE DRAWN FROM EXPERIENCE. AFTER LUNCH BREAK FIRST DAY, US DEL WAS SUCCESSFUL IN FOCUSSING DISCUSSION ON BROADER QUESTIONS RELATED TO INTERNATIONAL TRADE ENVIRONMENT AND AWAY FROM US MEASURES PER SE (REF B). IN FACT NONE OF THE INTERVENTIONS COULD BE CONSTRUED AS "ATTACKS" ON US MEASURES (PARA 2, REF B).

(A) EC DEL'S VIEWS WERE ALONG PREDICTABLE LINES. HE SAID (I) EC FAVORED IMPROVED COOPERATION ESPECIALLY IN COLLECTING AND EVALUATING DATA ON MARKET COONDITIONS, (II) COMMODITY AGREEMENTS WERE ESPECIALLY WELL SUITED FOR COPING WITH BOTH SURPLUS AND SHORTAGE CONDITIONS (A POINT WITH WHICH US DEL DISAGREED AND URGED TC NOT TO GET BOGGED DOWN WITH); (III) FOOD AND AID PROGRAMS TO LDGS SHOULD NOT BE INFLUENCED BY SHORT-SUPPLY CONDITIONS.

(B) JAPANESE DEL THOUGHT TC SHOULD CONSIDER WIDERANGE OF MEASURES INCLUDING: (I) STUDY OF COOPERATIVE MEASURES NECESSARY TO MAINTAIN SUPPLY/DEMAND BALANCE; (II) COMMODITY MONITORING SYSTEM ALONG LINES INDICATED, PARAS 51 AND 52, TFD/TD/741; (III) A PREVENTIVE CONSULTATION PROCEDURE (PARA 54, TFD/TD/741); AND (IV) AT LATER STAGE, A REVIEW OF EXISTING GATT AND OTHER CRITERIA FOR APPLYING EXPORT CONTROLS.

(C) FRENCH DEL, OFTEN IN ASSOCIATION WITH US DEL, WAS VERY CAUTIOUS WITH REGARD TO FUTURE WORK, SUGGESTING SIMPLY THAT TC REFLECT ON RECENT EXPERIENCE AND PROSPECTS TO SEE WHAT, IF ANY, ADDITIONAL WORK MIGHT BE DONE BY TC OR OTHER BODIES ON EXPORT CONTROLS.

7. AFTER FULL EXCHANGE ON "LESSONS TO BE DRAWN FROM RECENT LIMITED OFFICIAL USE

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EXPERIENCE", TCWP SPENT REMAINDER OF MEETING IN REACHING AGREEMENT ON PART II OF ITS WRITTEN REPORT TO TC, TEXT OF WHICH WAS TRANSMITTED BY REF C.

8. PART I OF TCWP REPORT WILL BE SUMMARY RECORD OF DISCUSSION WHICH WILL BE TRANSMITTED TO WASHINGTON SHORTLY FOR SUCH MODIFICATION AS US DEL MAY WISH TO MAKE.

9. MESSAGE DRAFTED AFTER DEPARTURE WASHINGTON DELEGATION. BROWN

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, FOODS, COMMITTEE MEETINGS, CONSULTANTS, EXPORT CONTROLS, AGRICULTURAL EXPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
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**From:** OECD PARIS  
**Handling Restrictions:** n/a  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** (A) STATE 190304  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Aug-2001 by shawdg>; APPROVED <14-Nov-2001 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OECD TRADE COMMITTEE WORKING PARTY (TCWP) CONSULTATIONS ON US EXPORT CONTROLS, SEPT. 25-26.  
**TAGS:** ETRD, US, XX, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005